



6450-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Recommendation from the Western Area Power Administration to Pursue Regional Transmission Organization Membership

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of Western Area Power Administration Recommendation to Pursue Regional Transmission Organization Membership.

SUMMARY: Western Area Power Administration (Western), Upper Great Plains Region (Western-UGP), a power marketing administration (PMA) of the Department of Energy (DOE), is publishing a recommendation to pursue formal negotiations with the Southwest Power Pool (SPP), a Regional Transmission Organization (RTO), concerning membership. Western is seeking public comment from Western's customers, Tribes, stakeholders, and the public at large. A decision to pursue implementation of the recommendation will be posted to Western's website.

DATES: To ensure consideration, all comments should be received by Western at the address below on or before 4 p.m. MST **[INSERT DATE 45 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**. Western will present a detailed explanation of the recommendation and listen to customer and stakeholder comments in Lincoln, Nebraska, Sioux Falls, South Dakota, and Moorhead, Minnesota, or Fargo, North Dakota. The specific times and locations of these forums will be posted on Western's website at <http://www.wapa.gov/ugp/powermarketing/AlternateOperationsStudy/AOS.htm>.

The information gathered and analyzed by Western subject matter experts, combined with stakeholder comments, detailed discussions with the Midcontinent Independent System Operator

(MISO), and the SPP, formed the basis of the recommendation that is now being published for comment. A decision to pursue the recommendation will be informed by comments received in response to this Notice.

ADDRESSES: Send written comments to Western at: AOS@wapa.gov. Information regarding the recommendation, including comments, letters, and other supporting documents made or retained by Western are for the purpose of pursuing this recommendation. Comments may also be delivered by mail to: Upper Great Plains Region, Western Area Power Administration, 2900 4th Avenue North, Billings, MT 59101-1266.

FOR FURTHER INFORMATION CONTACT: Jody S. Sundsted, Power Marketing Manager, Upper Great Plains Region, Western Area Power Administration, 2900 4th Avenue North, Billings, MT 59101-1266, telephone (406) 255-2910, e-mail sundsted@wapa.gov.

SUPPLEMENTARY INFORMATION:

Western-UGP markets Pick-Sloan Missouri Basin Program – Eastern Division (P-SMBP-ED) hydroelectric power and energy to preference entities in Montana east of the continental divide, North and South Dakota, western Minnesota and Iowa, and eastern Nebraska. In 1998, Western-UGP, Basin Electric Power Cooperative, and Heartland Consumers Power District implemented the Integrated Transmission System (IS). The IS includes approximately 9,848 miles of transmission lines owned by Basin Electric Power Cooperative, Heartland Consumers Power District, and Western. Transmission service over the IS is provided under Western’s Open Access Transmission Tariff, with Western-UGP serving as tariff administrator for the IS. Prior to the IS, the Joint Transmission System (JTS) was formed and documented in the Missouri Basin Systems Group (MBSG) Pooling Agreement dated January 31, 1963. The IS comprises transmission facilities located on both the eastern and western electrical interconnected systems

separated by the Miles City DC tie and the Fort Peck Power Plant. Western-UGP also operates two balancing authority areas, WAUW and WAUE, within the IS that are also separated by the Miles City DC Tie and the Fort Peck Power Plant.

RTO History

RTOs are not a new concept within the utility industry. The concept of joint planning, joint power supply, cost sharing, and in some cases, joint transmission, has occurred for decades between utilities with a common mission and goal. In Western-UGP, the roots of RTO-like agreements can be traced back to the January 31, 1963, MBSG Pooling Agreement that was signed by the Assistant Secretary of the Interior and 105 utility systems across six states, for participation in the Federal transmission system. This agreement established the JTS, now known as the IS, to plan, build, operate, and maintain a joint transmission system.

Subsequent to the creation of the MBSG and JTS, Western's predecessor, the Bureau of Reclamation, also became a member of the Mid-Continent Area Power Pool (MAPP). MAPP was another entity formed to promote power pooling, transmission planning, reliability, and reserve pooling. Certain MAPP members, including Western-UGP, were later involved in RTO creation efforts, including a study from 2000 through 2004 for creation of the Crescent Moon RTO. This was closely followed by another study effort from 2006 through 2008 known as the Mid-Continent Systems Group. In 2008-2009, the IS owners and MISO jointly developed a new type of tariff service (Module F) that would have allowed the IS owners to place their generation and loads into the MISO organized market but keep the IS transmission system assets out of MISO. Ultimately, the Federal Energy Regulatory Commission rejected these tariff changes. During the 2008 to 2009 timeframe, many of the original MAPP Generation Reserve Sharing Pool members merged with MISO to share contingency reserves and formed the Midwest

Reserve Sharing Group (MRSG). In 2009, the MRSG was renewing the sharing agreement and Western-UGP terminated its participation in the MRSG agreement for economic reasons. Prior to leaving MRSG, the IS owners were aware that providing contingency reserves on a stand-alone basis would have been cost prohibitive and began discussions with SPP to participate in SPP's reserve sharing group. Western-UGP then entered into a limited-term agreement with the SPP reserve sharing group effective with the termination of the MRSG agreement.

Market to Non-Market Challenges

Approximately 50 percent of Western-UGP's preference load is beyond the edge of the IS and delivered across third-party transmission systems in the MISO and the SPP predominately under arrangements made by those preference customers. This separation creates market to non-market seams between Western-UGP, MISO, and SPP and impacts both Western-UGP's and other local utilities' marketing of power across the seams. To address certain transmission congestion in the MISO and SPP footprints, the reliability coordinator cuts power schedules in and out of those RTOs under Transmission Loading Relief (TLR) protocols in addition to re-dispatching generation within its footprint. Western-UGP has experienced many TLR schedule cuts on short-term sales and purchases, as well as firm power schedules necessary to meet its obligations. Western-UGP has few options to avoid TLRs. These TLR impacts are directly related to Western-UGP and the IS owners' unique footprint in relation to energy markets. In addition to the MISO and SPP seams on the east and south, Western-UGP is constrained by limited access to the Canadian markets to the north, as well as to western markets, due to limitations of available capacity for energy transfers through the AC-DC-AC interconnection ties. Historically, Western-UGP has had opportunities to sell and purchase short-term energy from many different entities in response to hydro-generation variability. However, with entities

joining MISO and its organized energy market, Western-UGP has seen those opportunities decrease significantly. With the SPP Integrated Marketplace planned to become operational in 2014, Western-UGP anticipates substantial reduction in bi-lateral short-term energy trading opportunities. Western-UGP recognizes the variability of the hydro-generation and the historic need Western-UGP has had for access to energy markets to realize the lowest cost energy purchases and optimized short-term energy sales. As a result, Western-UGP has performed an assessment of the costs, benefits, and risks of alternative operating models while continuing to reliably serve our firm power commitments.

The Alternative Operations Study (AOS)

For purposes of this assessment, Western is considering placing only the portion of the IS located in the eastern electrical interconnected system within an RTO market. The options for future operating models analyzed included a Stand Alone configuration, Join MISO, and Join SPP.

The Cost/Benefit Analysis (CBA) for this study measured and compared six criteria in each of the three options.

1. RTO Trade Benefit
2. Administrative Costs
3. Transmission Expansion
4. Capacity Benefits
5. IS Transmission Revenue - Cost Shifts
6. Drive-Out Impacts

There were significant monetary separations in the CBA results. The CBA results have shown the Join SPP option provides more benefits than the other two options.

Qualitative risks were analyzed through the use of a Multi-Criteria Decision Analysis (MCDA) tool. The MCDA uses marketing plan and rate stability, and agreements as major criteria to assess the options with multiple metrics for each. Weight factors were assigned to each of the criteria and each of the metrics based on the relative importance of the criterion or metric to the overall decision. Each metric was rated according to the qualitative scale to determine the appropriate risk rating, and the risk score associated with each option was subsequently developed through application of the weighting of the risk. The risk score for the Join SPP option was the lowest and, therefore, the most favorable option from a qualitative risk standpoint. Further information regarding the CBA and the MCDA can be found in the recommendation documents referenced in the Availability of Information section below.

Based on the analysis performed, Western-UGP concluded that the potential benefits of the Join SPP option are significant enough for Western-UGP to solicit feedback from customers and other stakeholders regarding its recommendation to pursue formal negotiations with SPP regarding membership. Timing considerations are such that these actions should proceed quickly.

The information gathered and analyzed by Western subject matter experts, combined with stakeholder comments, formed the basis of the recommendation that is now being published for review. A decision to pursue the recommendation will be informed by comments received in response to this notice. A decision by Western to move forward with formal negotiations with SPP will result in detailed membership discussions consistent with Western-UGP statutory requirements as captured in the AOS assumptions. Western's Administrator has been designated as the appropriate Federal regulatory authority with respect to transmission facilities within the PSMBP-ED in accordance with Section 1232(a)(1)(A) of the Energy Policy Act of 2005,

codified at 42 U.S.C. 16431.

Availability of Information

The recommendation is available for review and comment on Western's website at <http://www.wapa.gov/ugp/powermarketing/AlternateOperationsStudy/AOS.htm>. The recommendation and supporting documents contain information that pertains only to Western-UGP. Western is seeking comments on the substance of the recommendation and its proposal to pursue the Join SPP option. Comments submitted in response to this notice should include the following information:

1. Name and general description of the entity submitting the comment.
2. Name, mailing address, telephone number, and e-mail address of the entity's primary contact.
3. Identification of any specific recommendation the comment references.

Environmental Compliance

In compliance with the National Environmental Policy Act (NEPA) of 1969 (42 U.S.C. 4321-4347), Council on Environmental Quality regulations (40 CFR parts 1500-1508), and DOE NEPA regulations (10 CFR part 1021), Western is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements. Further environmental review actions will be posted to <http://www.wapa.gov/ugp/Environment/default.htm>.

Dated: October 29, 2013.

Mark A. Gabriel,
Administrator.

[FR Doc. 2013-26079 Filed 10/31/2013 at 8:45 am; Publication Date: 11/01/2013]